

## Message Text

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62

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 CEA-02 COME-00 EB-11 FRB-02 CIEP-02

STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 SCEM-02 SCI-06

INT-08 DRC-01 NEA-10 AF-10 IO-14 /207 W

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R 211600Z DEC 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 2645

INFO AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY BRUSSELS

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION EC BRUSSELS

USNATO 2087

USMISSION OECD PARIS

C O N F I D E N T I A L THE HAGUE 5620

E.O. 11652: N/A

TAGS: PFOR, ENRG, EEC, NL

SUBJ: AMBASSADOR'S DISCUSSION WITH FOREIGN MINISTER:

EC COUNCIL MEETING AND EAG

### SUMMARY

IN AMBASSADOR'S DEC 20 MEETING WITH FOREIGN MINISTER VAN DER STOEL,  
MINISTER SAID HE HAS URGED DIRECT CONTACT BETWEEN HEATH  
AND BRANDT TO RESOLVE REGIONAL FUND/ENERGY POLICY  
IMPASSE BEFORE JAN 7 COUNCIL MEETING. GON SUPPORTS  
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EAG IN PRINCIPLE BUT WANTS MORE DETAILS AND FAVORS  
OECD INVOLVEMENT. AMBASSADOR WARNED AGAINST BIDDING  
CONTEST BETWEEN EC AND US FOR ARAB OIL. END SUMMARY

1. IN ADDITION TO DISCUSSION OF NATO MMINISTERIAL, EC SUMMIT, AND US/EC/JAPANESE CHAPEAU (SEPTTEL) DURING AMBASSADOR'S DEC 20 MEETING WITH FOREIGN MINISTER VAN DER STOEL, DIALOGUE ALSO COVERED DEC 17-18 EC COUNCIL (FOREIGN MINISTER) MEETING AND DUTCH AND US VIEWS RE SECRETARY'S ENERGY ACTION GROUP (EAG) PROPOSAL.

3. VAN DER STOEL PREFACED HIS REMARKS ON EC COUNCIL MEETING BY SAYING "WE ARE IN A DIFFICULT SPOT." HE THEN WENT BACK TO MEETINGS OF NOV 6 AND DECEMBER 3-4 IN BRUSSELS, SAYING THAT AT BOTH THESE MEETINGS, GREAT BRITAIN AND FRANCE HAD BLOCKED ANY DISCUSSION OF THE ENERGY ISSUE. THE COPENHAGEN SUMMIT, HOWEVER, HAD BROUGHT THE COMMON MARKET A STEP FORWARD IN THAT BRITAIN AND FRANCE ACCEPTED COMMUNITY ACTION TO DEAL WITH THE ENERGY CRISIS. AT THE SAME TIME IT HAD BEEN AGREED THAT THE REGIONAL FUND SHOULD BE ESTABLISHED BY JAN 1, 1974.

4. HOWEVER, SAID VAN DER STOEL, GREAT GAP EMERGED BETWEEN BRITISH AND GERMAN POSITIONS ON AMOUNT OF REGIONAL FUND. EVEN AFTER TWO DAYS OF BARGAINING, NO COMPROMISE WAS IN SIGHT. UK "DUG INTO ITS TOES" BECAUSE OF ITS FOR A SUBSTANTIAL FUND IN ORDER TO MAINTAIN PUBLIC SUPPORT FOR THE EC. THIS WAS CONNECTED WITH THE ARGUMENT USED BY HMG, AT THE TIME OF JOINING, THAT THE DISADVANTAGES TO GREAT BRITAIN WHICH THEY HAD ALREADY EXPERIENCED BY WAY OF HIGHER PRICES WOULD BE OVERCOME BY BENEFITS OF A SUBSTANTIAL REGIONAL FUND. FRG, ON THE OTHER HAND, WHICH HAS BEEN MAJOR FINANCIER OF THE CAP, IS RELUCTANT TO BECOME INVOLVED IN ANOTHER NET OUTLAY PROGRAM OF SUBSTANTIAL MAGNITUDE. VAN DER STOEL SAID GON WOULD BE AGREEABLE TO ANY ARRANGEMENT WHICH SATISFIED BOTH PARTIES.

5. WHEN IT WAS FINALLY DECIDED TO TERMINATE DEBATE ON REGIONAL POLICY AND RESORT TO "STOP THE COLCK" TECHNIQUES, ANOTHER CRISIS DEVELOPED: DOUGLAS-HUME SAID THAT GREAT CONFIDENTIAL

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BRITAIN COULD NOT GO ALONG WITH EC ENERGY PROGRAM UNLESS REGIONAL PROGRAM WAS SIMULTANEOUSLY ADOPTED, AND ITALY INSISTED ON LINKING REGIONAL POLICY TO START UP OF EMU-II. VAN DERSTOEL CONSIDERED BOTH OF THESE DEMANDS TO BE IN VIOLATION OF COPENHAGEN COMMUNIQUE.

6. VAN DER STOEL HOPES THAT "THESE KNOTS CAN BE UNRAVELLED" ON JAN 7; IF NOT THE IMPACT OF COPENHAGEN WILL BE LOST AND THE EC WILL STAGNATE. HE BELIEVES THAT GERMANY WILL BE WILLING TO CONTRIBUTE MORE TO THE REGIONAL FUND, AND HE IS URGING GREAT BRITAIN TO BE MORE PLIANT. HE DESCRIBED THE PRESENT SITUATION AS A DEADLOCK WHICH PROBALBY CAN ONLY BE BROKEN THROUGH DIRECT

CONTACT BETWEEN HEATH AND BRANDT WHICH HE IS STRONGLY URGING. IF THE SITUATION IS NOT RESOLVED IN JANUARY, THE EC WILL BE IN A STATE OF CRISIS.

7. TURNING TO THE SUBJECT OF THE SECRETARY'S ENERGY ACTION GROUP INITIATIVE, AMBASSADOR GOULD THANKED THE FOREIGN MINISTER

FOR THE SUPPORT WHICH THE GON HAD PUBLICLY DEMONSTRATED, AND ASKED WHETHER HIS GOVERNMENT WOULD BE WILLING TO ATTEND A MEETING.

8. THE FOREIGN MINISTSR REPLIED THAT THE GON SUPPORTS THE CONCEPT BUT WOULD LIKE MORE PRECISE INFORMATION. THEY ARE OF THE OPINION THAT THE OECD COULD BE A SUITABLE ORGANIZATION - OR IN ANY EVENT, SHOULD B INCLUDED IN ANY OVERALL MEETING; PERHAPS THE OECD MEETING AT MINISTERIAL LEVEL WOULD BE USEFUL, HE OBSERVED.

9. AMBASSADOR POINTED OUT THAT OECD INCLUDED NEITHER OAPEC NOR OPEC MEMBERS, AND QUOTED BACK TO VAN DER STOEL HIS OMMENT MADE TO UNDERSECRETARY DONALDSON TO THE EFFECT THAT THE OECD MIGHT BE CONSIDERED BY THE ARABS AS ARICH MAN'S CLUB ATTEMPTING TO GANG UP ON THEM. AMBASSADOR THEN REVIEWED SECRETARY DONALDSON'S THREE OBJECTIVES (1) UNIFORM MINIMIZATION OF CONSUMPTION, (2) MAXIMUM COOPERATIVE DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES, AND (3) BRIDGING CONTRACTS WITH THE PRODUCERS FOR GREATER CONFIDENTIAL

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PRODUCTION DURING THE EARLY STAGE AND DIMINISHED PRODUCTION, BUT WITH HIGHER PRICES, DURING THE LATER STAGES - THE CONCEPT BEING TO HAVE ADEQUATE OIL AND AT BEARABLE PRICES DURING THE SHORT TERM UNTIL ALTERNATIVE ENERGY SOURCES CAN BE DEVELOPED, WITH THE PRODUCERS ASSURED OF CONSTANT INCOME THROUGHOUT THE SHORT AND LONG TERM.

10. AMBASSADOR THEN TOOK ADVANTAGE OF THE MOMENT TO CAUTION AGAINST DIRECT EC-ARAB NEGOTIATIONS. EMPHASIZING FOLLOWING POINTS: FIRST, BIDDING CONTEST FOR ARAB OIL BETWEEN US AND EC WOULD BE MUCH MORE EXPENSIVE FOR EC IMPORTS VERY SMALL PERCENTAGE OF ITS CONSUMPTION AND THEREFORE CAN BLEND ITS DOMESTIC CONSUPTION PRICE WITH ITS IMPORT PRICES, WHEREAS EUROPE MUST IMPORT AMUCH HIGHER PERCENTAGE AND HAS NO SUCH PRICE ABSORPTION CAPACITY. SECOND, RECENT OPEC ACTIONS IN TEARING UP OLD CONTRACTS AND CHARGING NEW AND HIGHER PRICES INDICATED THAT EVEN IF EC WERE SUCCESSFUL IN NEGOTIATING AN IMMEDIATE ARRANGEMENT WITH ARABS, IT WOULD BE REALISITIC TO ASSUME THAT A LATER ARRANGEMENT WITH US AT HIGHER PRICE WOULD CAUSE ARABS

TO UNILATERALLY RAISE EC'S PRICES ANYWAY. THIRD,  
BIDDING CONTEXT FOR MIDEAST OIL BETWEEN US AND EUROPE  
WOULD BE VERY DAMAGING TO US-EC RELATIONSHIP AND TO  
COHESION OF NATO.

11. VAN DER STOEL RESPONDED THAT WHATEVER FRAMEWORK  
WAS DECIDED UPON, GON SHOULD BE COUNTED IN, BUT  
IT WOULD BE IMPORTANT THAT THEIR EC PARTNERS ALSO  
JOIN. VARIOUS POSSIBLE GROUPINGS, SUCH AS INDIVIDUAL  
CONSUMER AND PRODUCING NATIONS PLUS OECD, EC AND OPEC  
REPRESENTATIVES, WERE DISCUSSED. VAN DER STOEL CONCLUDED  
THAT CONSULTATIONS WERE NEEDED AS TO EXACTLY HOW THE  
GROUP SHOULD BE CONSTITUTED.  
GOULD

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PARIS  
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